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October 15, 2008

Department of Energy Resources
Commonwealth of Massachusetts
100 Cambridge Street
Boston, Massachusetts 02114

Dear Sir/Madam:

Re: Class I Renewable Portfolio Standard

Following are comments of Associated Industries of Massachusetts (AIM) in regard to the Department's inquiry about the Class I renewable portfolio standard implementation and suggestions for Department regulations pursuant to the Green Communities Act.

AIM is the largest employer association in Massachusetts. AIM's mission is to promote the well-being of its more than 7,000 members and their 680,000 employees and the prosperity of the Commonwealth of Massachusetts by improving the economic climate, proactively advocating fair and equitable public policy, and providing relevant, reliable information and excellent services.

Introduction

AIM has been concerned about energy costs in general and electricity costs in particular for many years. High costs hobble employers, inhibit economic growth and undermine job retention and expansion. While Massachusetts and New England face inherent geographical disadvantages that affect energy costs, such limitations should spur policy makers to seize opportunities that would contribute to reducing burdensome costs. Such an opportunity exists in the implementation of the renewable portfolio standard under the Green Communities Act.

While public policy has been set to encourage renewables, Department rules should seek to implement the policy in the most cost effective and transparent fashion. The comments below are set in this framework. AIM's comments are in the order of the Department's inquiries.

What should the Alternative Compliance Payment (ACP) amount be for Class I, and how should it be calculated?

The existing amount and methodology for increasing the ACP for renewable power under the program in place today should be used for the Class I program starting January 1, 2009. It should be added however that some thought should be given to creating a cap on how high the ACP should increase in the future. At some point it would be prudent to disengage the CPI increase mechanism and fix the amount. That point could be when the costs of Class I become so large as to be greatly and disproportionately huge compared to the cost of conventional supply. Another way to approach such a cap would be to determine when the state's renewable supply has achieved the statutory goal in the Act. At that point it would be prudent to create a cap. In both instances some equilibrium would have been achieved beyond which consumers paying for this supply should be protected.

What new or modified criteria should be required for any of the specific eligible technologies or fuels?

Criteria for Class I qualifying facilities should be liberal enough to encourage all technologies to compete on a level playing field – thus ensuring efficient and cost effective compliance - and not structured to exclude any particular technology. In this sense no specific technology or fuel should be singled out for special advantage or disadvantage.

In some instances, the statute imposes special criteria on specific technologies to qualify for RECs. In regard to those instances, the Department should not re-invent a regulatory wheel. It should rely on existing regulatory and certification programs under state or federal law. It should not create a wholly new regulatory system. There is simply no need for such a duplicative and costly approach. With this focus consumers will be paying for the renewable output and not a non-productive and costly regulatory program.

Additionally in this area, the Department should make an attempt in its regulations to have suppliers and utilities (as the case may be) document for consumers the cost of purchasing this mandated renewable supply. Such an approach would greatly enhance price transparency and actually increase support for the program as it would demonstrate that all consumers are using and supporting renewable generation.

A final note, the Department needs to adopt rules as quickly as possible so that the full panoply of renewable sources and supply are available for RECs on January 1, 2009.

What should be the minimum percentage of megawatt sales for on-site generation that is up to 2 MW, located in Massachusetts, and began commercial operation after December 31, 2007? What should be the appropriate ACP rate for this technology?

The Act creates a subset of Class I that needs to be satisfied by a supplier or utility (as the case may be) from on-site renewable generation facilities qualified in Class I that are in state. This is not an additional requirement but is subsumed in the total requirement of Class I. In this context the same rules should apply to on-site as apply to Class I – no criteria should be adopted that

discriminates between technologies. This creates a level playing field for renewable facilities and ensures a cost effective result.

The APC should be the same as Class I with the suggestion as outlined above for a cap at some point in the future.

Conclusion

AIM looks forward to the rule-making process. The keystones of these comments and the guiding principles in rule making are for a cost effective, non-discriminatory and transparent program that delivers renewable power attributes to Massachusetts consumers in an affordable way.

Should you have any questions please do not hesitate to contact me at 617-262-1180.

Sincerely,

Robert A. Rio, Esq.
Senior Vice President